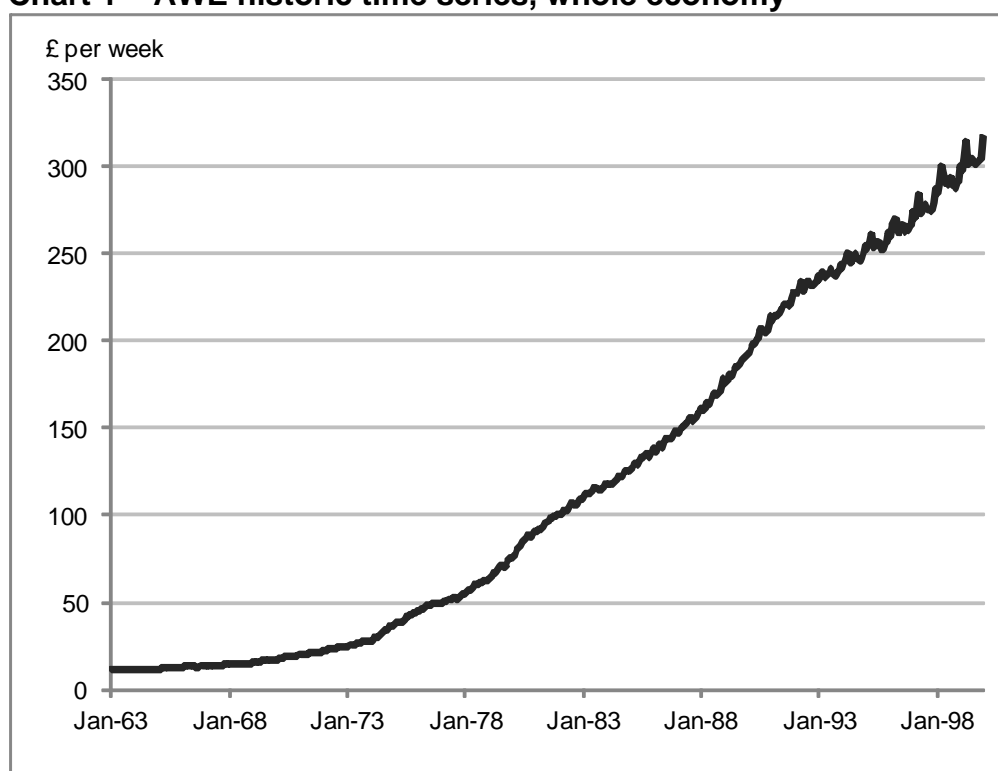


A modelled historic time series for Average Weekly Earnings

- The Average Earnings Index (AEI) was discontinued after the publication of the July 2010 figures, and was replaced by the Average Weekly Earnings (AWE) measure. AWE data from January 2000 were made available; earlier data could not be produced due to the lack of microdata. As a result, users who wanted a long term monthly time series of average earnings growth only had the AEI.
- Work has therefore been carried out to estimate Average Weekly Earnings (AWE) total pay historic series for the whole economy back to January 1963, and for the public and private sectors back to 1990, to match what was available for the AEI.
- The whole economy series is shown in Chart 1 below:

Chart 1 – AWE historic time series, whole economy



(Link to Excel spreadsheet containing the graph data)

- **These are modelled estimates based on existing sources.** No new information on earnings has been compiled in the course of this work.
- The modelled estimates aim to provide a consistent long term time series for AWE. Within the limits imposed by the lack of microdata, the AWE series presented here are the **best available historical estimates**, and considered **broadly comparable to the published AWE** from January 2000 onwards.

- The selected method primarily uses the relationship between AWE and AEI where both are available (January 2000 – July 2010) to estimate the historic time series for the period required. Single month growth rates are derived directly from the unrounded estimates.
- Because of the absence of microdata before January 2000, no assurance can be provided that there is not a structural break in the time series at this point. The AEI and the underlying survey (the Monthly Wages and Salaries Survey) were relatively consistent between 1990 and 2000. A series of assumptions were needed to produce the continuous AEI series between 1963 and 1989. Therefore, the whole economy AWE series between 1963 and 1989 should be treated with particular caution.
- The new method takes into account the observed relationship between AEI and AWE. Because of this, the new AWE historic time series show more growth than the AEI series did. The differences are relatively small between 1990 and 1999, but larger when earlier periods are considered. In particular, according to AEI, average earnings were 24 times higher in 1999 than in 1963. Using this AWE historic time series, average earnings were 28 times higher in 1999 than in 1963. The difference between the AEI and AWE growth should not be over-interpreted, as there is considerable uncertainty introduced by the estimation process.
- For the reasons set out above, **the AWE historic time series do not have National Statistics status**. The estimates do not come with the same methodological assurances on quality as the data from January 2000 onwards.
- Users, especially those who have already used the Average Earnings Index to estimate a historic time series, will need to decide whether the advantages of having series that are more comparable to AWE from 2000 onwards outweigh the disruption of changing from a series already in place.
- This paper and the accompanying time series conclude the work on producing a historic time series for AWE. **ONS has no plans for further developing or changing the AWE historic time series**. This does not preclude ONS revisiting the historic time series, should a major methodological change be made to AWE.